

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)
Implementation of Section 621(a)(1) of)
The Cable Communications Policy Act) **MB Docket No. 05-311**
Of 1984 as Amended by the Cable)
Television Consumer Protection and)
Competition Act of 1992)

COMMENTS OF DEMOCRATIC PROCESSES CENTER

I. INTRODUCTION

The Democratic Processes Center, Inc. is a non-profit 501c educational and public interest organization that engages in research workshops, seminars, and other forums on educational and public policy issues. The Democratic Processes Center also trains teachers and other education professionals in the philosophy of the democratic process as it relates to education and public policy.

The Democratic Processes Center is a member organization of Consumers for Cable Choice (C4CC).¹ Consumers for Cable Choice has approximately 40 consumer groups representing more than 1 million members. Albert Sterman, President of the Democratic Processes Center is a member of the C4CC Advisory Board. He is also a member of the board of Arizona Telecommunications and Information Council and chairs the Community Information and Telecommunications Alliance of Southern Arizona. He is a founding member of the City of Tucson Technology Advisory Board (TechPack). Additionally, he served as chairperson of the Telecommunications Sub-Committee of the Policy Committee for the Consumer Federation of America in Washington, DC.

The Democratic Processes Center fulfils its mission through the collaboration of alliances with consumer organizations like C4CC and others who are committed to a competitive marketplace.

¹ Consumers for Cable Choice, Inc. is a not-for-profit corporation formed under Section 501(c)(4) of the Internal Revenue Code.

The Consumer Alliance offers these comments:

- The Democratic Processes Center is active in protecting the public interest. Under the current system, new providers cannot enter the market without great difficulty. An obsolete local franchising regulation requiring new providers to apply for franchising authority from each jurisdiction is unreasonable and impedes the process of providing consumers choice.
- We believe it is in the public interest to set aside the regulatory barriers for new entrants. We do not believe that it is in the public interest for new entrants to be burden with negotiating thousands of jurisdictions nationwide.
- We believe that the existing franchising laws are unfair to consumers by allowing local cable companies to maintain their monopoly.

Choice is the backbone of America's free enterprise, competitive business community. Obsolete franchise laws should not penalize the poor. The Democratic Processes Center provides the following comments to urge the Commission to facilitate competition and to ensure better services and new, innovative technologies for consumers

II. DISCUSSION

The lack of cable choice harms our constituents in the following ways:

- Cable rates have risen 56.6% since 1996, according to a Federal Communications Commission 2004 Report on Cable Industry Prices.² This is a telling statistic in that only one video service provider, namely, the traditional cable company, serves most communities. The outdated local franchising process fosters the perpetuation of a harmful monopoly to the public interest.
- Also according to the Federal Communications Commission's 2005 *Report on Cable Industry Prices* it found that in communities with a wireline cable competitor, average cable rates for basic and expanded services were 15.7% lower than in communities with no competition.³ Clearly, more options for video service would benefit the constituents served by the Democratic Process Center.

² Report on 2004 Cable Industry Prices

⁷ Report on Cable Industry Prices, FCC Rcd 2718, 2721, at 12 (2005).

- Further, the loss of consumer surplus from a delay in reforming the franchise process and promoting competition is \$8.2 billion dollars for one year of delay, or nearly \$75 dollars for each American household. Accordingly, four years of delay would cost consumers nearly \$30 billion, or about \$270 dollars per household.⁴ This is unacceptable to consumers and especially the poor with less disposal income.

Competition will benefit consumers as follows:

- Prices have dropped in communities where cable competition has emerged. Keller, Texas is an example of a community where Verizon's FIOS service is available. Consumers in Keller, Texas now pay comparable rates because the incumbent cable provider has lowered its prices.⁵

Here is what the Federal Communications Commission can do:

- Ensuring a tight deadline for franchise negotiation would be a meaning step in the right direction.
- Additionally, based on expert opinion, and the testimony of C4CC, the Federal Communications Commission can act in preventing municipalities from impeding competition in the video service market. Section 621 of the Communications Act of 1934 gives the commission the authority to moreover permit a new entrant, "a reasonable period of time to become capable of providing cable service" within the franchise area."⁶ As stated in the testimony of C4CC, the Federal Communications Commission has the statutory authority to limit the reach of local franchise authorities and prevent unnecessary obligations from being placed on new competitive entrants.
- The Democratic Processes Center suggests that the Commission modify the current system to preserve local municipalities' ability to collect fees for use of rights of way. We urge the Commission to consider many of the ideas put forth by C4CC on this point.

III. CONCLUSION

⁵ Banc of America Securities estimates.

⁶ *id.* § 541(a)(4)

The current franchising process hinders consumer choice and is not in the public interest.

Outdated local franchising regulation requiring new providers to apply for franchising authority from each jurisdiction encumber the process of providing consumers choice.

The Commission has the authority and obligation to promote franchise reform. The Democratic Processes Center recommends that the Commission seek ways to make the franchise process more efficient and policies for cable competition.

Respectfully submitted,

By: Albert Sterman
President

February 13, 2006